16-122 Faculty Compensation

We have completed our audit of Faculty Compensation. This audit was performed at the request of the UTHealth Audit Committee and was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

BACKGROUND
Handbook of Operating Procedures Policy Number 193 – Salary Administration (HOOP 193) serves as the general salary administration policy for UTHealth, including salary administration for faculty members. Faculty compensation decisions are also guided by the applicable unit’s Compensation Plan (Plan). Each unit’s Plan sets forth its compensation policies, procedures and methods, which are subject to the availability of funds. The Dean of each unit will make the Plan known and available to the unit’s faculty members. The hiring authority is responsible for obtaining data to support the proposed compensation prior to making an offer to a candidate.

The faculty recruitment process guidelines state, in part:

“When managing the faculty recruitment process, we must address a number of issues, including but not limited to the determination of Fair Market Value (FMV) of compensation; and approval from the UT System Office of Health Affairs (OHA), or other appropriate System offices, for compensation levels above $500,000 per year.”

OBJECTIVES
The objective of this audit was to review UTHealth Faculty Compensation processes, including equity and compliance, in conjunction with the Board of Regents’ (BOR) Rules and Regulations 20204.

SCOPE PERIOD
The scope period was September 1, 2015 – August 31, 2016 (FY 2016).

METHODOLOGY
The following procedures were performed:

- Reviewed laws, regulations, and guidance applicable to faculty compensation as well as UTHealth policies and processes for each school;
- Compared HOOP 193 and compensation practices with BOR 20204 and UTS 144, as well as laws, regulations, and guidance applicable to faculty compensation;
- Obtained a population of faculty from each school and selected a random sample of new hires and existing highly/non-highly compensated faculty; and
16-122 Faculty Compensation

- Reviewed documentation related to highly compensated faculty, incentives, and merit payments for existing faculty as well as justification to recruit new faculty at each school.

AUDIT RESULTS
Auditing and Advisory Services (A&AS) identified areas of improvement related to faculty compensation policies and procedures:

- Inconsistencies exist between BOR 20204 and UTS 144 concerning the definition of total compensation, which are included in UTHealth policies and practices.
- The School of Biomedical Informatics (SBMI) has not developed formal procedures for documenting faculty compensation decisions.
- The School of Nursing (SON) has not developed formal procedures for documenting nursing specialties/subspecialties faculty compensation decisions.
- The SON has not developed formal procedures for documenting approval of merit increases.

Highly Compensated Faculty
Highly compensated individuals are defined by the BOR as those other than key executives with annual salaries of $500,000 or more. Salaries from $500,000 to $999,999 must be approved by the Executive Vice Chancellor for Health Affairs. Salaries of $1,000,000 or more must be approved by the BOR. These requirements are documented in the BOR 20204, UTS 144 and HOOP 193. A&AS documented the process and controls for ensuring compliance with the BOR, UTS, and UTHealth policies. Details of our testing are as follows:

Newly Hired Faculty
We obtained the population of faculty hired during FY2016 with annual compensation of $500,000 or more per year. There were five faculty members in this population for which we performed audit test procedures. We obtained copies of the High Compensation Request (HCR) form as well as other documentation supporting the compensation levels offered and confirmed the process was performed in a consistent manner. We also reviewed supporting documentation and verified the process for setting the initial compensation of highly compensated employees included, at a minimum, the factors listed below:

- The nature of the duties of the position, including level of responsibility;
- The need of the organization for the services of the person whose compensation is being determined;
- The person's background, experience, knowledge in the field, accomplishments, salary history, and time devoted to the organization;
- The employee's contributions to the organization's goals, objectives, and success;
- The levels of compensation paid to similarly qualified people performing comparable duties in organizations in the market from which normally recruited (e.g., local, regional, national);
- The nature of the organization (e.g., purpose, size, and complexity); and
- The relationship to the compensation of other employees.

For each faculty hired with salary above the 75th percentile based on appropriate benchmark (MGMA, AAMC, etc.), we verified a third party FMV analysis and/or equity review was performed. For each of the faculty hired, we verified approval was obtained from either the Executive Vice Chancellor (total compensation between $500,000 and $999,999) or the BOR (total annual compensation of $1,000,000 or more).
16-122 Faculty Compensation

Existing Faculty  
We identified faculty members with the following criteria: (1) total compensation less than $500,000 in FY 2015; and (2) total compensation more than $500,000 in FY 2016. From this population we selected a sample of 10 faculty members and verified the following (where applicable):

- Approval of budgeted salaries greater than or equal to $500,000 for highly compensated individuals were reviewed by UT System during the budget review process. A&AS compared the budget reports of highly compensated individuals prepared during the budgeting process to the actual salary and associated payments for FY 2016, then verified faculty in our sample with compensation from $500,000 to $999,999 were included in the highly compensated report.

- Approval of non-budgeted changes to salaries that brings total compensation to $500,000 or greater, which requires a Request for Budget Change (RBC) form to be completed and sent to UT System for approval. Approval of the RBC also serves as UT System approval of the salary. A&AS reviewed documentation attached to the RBCs supporting the compensation increases. This documentation included, but was not limited to, appropriate benchmark (MGMA, AAMC, etc.), justification for request, as well approvals by the Dean/President, UT System Controller, and the Executive Vice Chancellor for Health Affairs.

We have reasonable assurance that processes and controls surrounding the review and approval of highly compensated faculty are working as intended.

For non-highly compensated faculty, we verified that the McGovern Medical School, the School of Public Health (SPH), the School of Dentistry (SOD), SON, and SBMI have developed, implemented, and followed procedures to ensure compensation processes were in compliance with BOR 20204, UTS144, HOOP 193, and any school or department specific compensation plans.

We did not perform work at the Graduate School of Biomedical Sciences (GSBS) since all faculty positions at the GSBS are unpaid secondary appointments awarded to existing employees of MD Anderson and UTHealth.

McGovern Medical School (MMS)  
MMS departments utilize the Association of American Medical Colleges (AAMC) annual survey data. Additionally, most clinical departments also utilize the Medical Group Management Association (MGMA) annual data. Some departments (e.g., Pediatrics and Diagnostic & Interventional Imaging) have more detailed specialty benchmark data through their professional society surveys. In addition to state and institutional guidelines, many departments within MMS have plans that identify how compensation and incentive amounts are determined. Compensation levels are proposed by the Chairs and reviewed for approval by the Office of the Dean. Incentives are based on the department specific metrics, which include, as an example, Relative Value Units (RVU’s), total charges, net collections, and/or based on the faculty member’s assigned clinical effort. A&AS obtained copies of the most recent AAMC and MGMA annual surveys from the MMS Dean's office and reviewed the MMS processes and related internal controls regarding faculty compensation. Details of our testing are as follows:

Newly Hired Faculty  
We obtained the population of MMS faculty who were hired during FY2016 with compensation less than $500,000 annually and selected a random sample of 20 faculty members. For each, we accessed the Request to Recruit (RTR) database to review documentation supporting the compensation paid. This documentation included, but was not limited to, letter of intent, internal and external equity reviews, Curriculum Vitae (CV), justification for recruitment, etc. We verified the RTR form
Faculty Compensation

contained the Dean and/or President's approval and compared the recommended salary to the appropriate benchmark. For each new faculty with recommended salary above 75th percentile for the discipline in the appropriate benchmark, we obtained evidence to support that a third-party FMV analysis and/or equity review was performed.

Existing Faculty
We obtained the population of MMS faculty who were hired before FY2016 with compensation less than $500,000 annually, selected a sample of 25 faculty members, and obtained documentation supporting their compensation. This documentation included, but was not limited to, merit spreadsheet, Faculty Incentive Plan (FIP), etc. For faculty members in our sample who receive incentives, we requested support for incentive calculation and evidence of the Dean's review and approval prior to incentive payments. We used PeopleSoft HCM to identify faculty in our sample with a variance to their compensation between FY2015 and FY2016. We traced each faculty compensation variance to the corresponding faculty merit spreadsheet to verify faculty salary compensation changes were entered as approved by the MMS Dean or designee.

School of Public Health (SPH)
Several benchmarks are utilized when determining SPH faculty salaries. In most cases, data from the most recent Accredited Schools and Programs of Public Health (ASPPH) and the American Medical Association (AMA) faculty salary summary reports are considered along with discipline specific surveys, if available. The SPH determines starting base salary levels by specific variables such as department, rank, tenure status, degree and years of experience, using salary surveys from ASPPH and current salaries paid to faculty in the same department. A&AS obtained copies of the most recent AMA and ASPPH faculty salary summary reports along with discipline specific surveys. We reviewed SPH processes and related internal controls regarding faculty compensation. Details of our testing are as follows:

Newly Hired Faculty
We obtained the population of SPH faculty who were hired during FY2016 with compensation less than $500,000 per year. There were four faculty members in this population for which we performed audit test procedures. For each, we obtained the offer letter along with information on how the compensation was derived. This information included, but was not limited to, external and internal equity reviews, CV, justification for recruitment, etc. We verified the offer letter contained the Dean and/or President's approval and compared the recommended salary to the appropriate SPH survey. We obtained evidence to support the SPH considered equity issues when hiring faculty. Our review did not identify any SPH faculty member who was offered a recommended salary above the 75th percentile of the ASPPH survey.

Existing Faculty
We obtained the population of SPH faculty who were hired before FY2016 with compensation less than $500,000 per year and selected a random sample of 25 faculty members. For each, we obtained documentation supporting compensation. This documentation included, but was not limited to, incentive plan and copies of faculty merit spreadsheets sorted by rank, tenure status, degree and years of experience. For faculty members in our sample who receive incentives, we traced the incentive amount to the FIP and obtained evidence of review and approval by the Dean and UT System Executive Vice Chancellor for Health Affairs prior to incentive payments. We also used PeopleSoft HCM to identify faculty in our sample with a variance in their compensation between FY2015 and FY2016. We traced each faculty compensation variance to the corresponding faculty
merit spreadsheet to verify faculty salary compensation changes were entered as approved by the SPH Dean or designee.

School of Dentistry (SOD)
Each year, the American Dental Education Association (ADEA) issues guidance on faculty salaries based on data collected related to salaries, number of hires, and vacancies and other related demographic information. On a yearly basis, the Associate Dean for Management makes recommendations to the Dean/Chair based on internal SOD equity, budget, and salary history. Incentive compensation is awarded as approved by the Office of the Dean for each recognized incentive plan (i.e., DSRDP FIP, or Research FIP). In January 2016, a faculty salary study was performed by the SOD to increase faculty compensation and reduce pay inequity. A&AS obtained copies of the most recent ADEA annual surveys and reviewed the SOD processes and related internal controls regarding faculty compensation. Details of our testing are as follows:

Newly Hired Faculty
We obtained the population of the SOD faculty who were hired during FY2016 with compensation less than $500,000 per year and selected a random sample of five faculty members. For each, we obtained the offer letter along with information on how compensation is derived including, but not limited to, external and internal equity reviews, CV, justification for recruitment, etc. We verified the offer letter contained the Dean and/or President's approval and compared the recommended salary to the appropriate ADEA survey. Our review indicated the SOD does not have any employees who are paid more than 75th percentile of the ADEA survey.

Existing Faculty
We obtained the population of the SOD faculty who were hired before FY2016 with compensation less than $500,000 per year and selected a random sample of 20 faculty members. For each, we obtained documentation supporting compensation. This documentation included but was not limited to faculty compensation plan, faculty salary studies, salary comparison by gender and ethnicity, and surveys on the SOD faculty tables. For faculty members in our sample who receive incentives, we identified the related respective FIP. We traced the incentive amount to the respective plan and obtained evidence of the Dean's review and approval prior to incentive payments. We reviewed the FIP for approval by the UT System Executive Vice Chancellor for Health Affairs. We also used PeopleSoft HCM to identify faculty in our sample with a variance to their compensation between FY2015 and FY2016. We traced each faculty compensation variance to the corresponding faculty merit spreadsheet to verify faculty salary compensation changes were entered as approved by the SOD Dean or designee.

School of Nursing (SON)
On a yearly basis, the SON Associate Dean for Management coordinates merit recommendations from Chairs, evaluates current salaries with the American Association of Colleges of Nursing (AACN) salary survey results, calculates proposed merit increases, and makes recommendations to the Dean based on available budget. Each spring, the SON requests a custom report from AACN based on the most recent faculty salary survey, which occurs in the fall of each year, to perform a FMV analysis. Incentives are calculated annually based on the SON-approved FIP. The Dean discusses and reviews the awards with the Associate Dean for Management, then approves prior to forwarding to the President and UT System Executive Vice Chancellor Health Affairs. Payments are made once all approvals are obtained. A&AS obtained copies of the most recent AACN surveys and reviewed the SON processes and internal controls regarding faculty compensation. Details of our testing are as follows:
Newly Hired Faculty
We obtained the population of the SON faculty who were hired during FY2016 with compensation less than $500,000 per year. There were nine faculty members in this population for which we performed audit test procedures. For each, we obtained the offer letter to identify information on how compensation is derived, including, but not limited to external and internal equity reviews, CV, and justification for recruitment. We verified the offer letter contained the Dean and/or President's approval and compared the recommended salary to the appropriate AACN survey. For one of the nine faculty in our sample with a salary above the 75th percentile (for the discipline in the appropriate benchmark), we were not able to obtain evidence to support a third-party FMV analysis and/or equity review was performed.

Existing Faculty
We obtained the population of the SON faculty who were hired before FY2016 with compensation less than $500,000 per year and selected a random sample of 20 faculty members. For each, we obtained relevant metrics supporting compensation including, but not limited to, AACN survey, proposed merit increases, and recommendations to the Dean based on available budget sources. For each faculty member in our sample who receives incentives, we traced the incentive amount to the PIP and obtained evidence of the Dean's review and approval prior to incentive payments. We reviewed the PIP and verified approval from the UT System Executive Vice Chancellor for Health Affairs was obtained prior to making the incentive payments. We also used PeopleSoft HCM to identify faculty in our sample with variances in their compensation between FY2015 and FY2016. We traced each faculty compensation variance to the corresponding faculty merit spreadsheet to verify faculty salary compensation changes were entered as approved by the SON Dean or designee.

School of Biomedical Informatics (SBMI)
The SBMI uses the current AAMC salary survey for benchmarking. Faculty are measured based on variables such as their teaching load, research participation, and service. New faculty are assigned salaries between the 50th and 75th percentiles of the AAMC salary survey. Upon onboarding a new faculty member, the Dean and associate Dean discuss the salary to be offered. Incentives are limited to a maximum of 30% of the faculty member’s base salary. The SBMI Dean’s Office is responsible for the calculation as well as the review and approval of faculty incentives prior to payment. On a yearly basis, the Associate Dean for Management coordinates merit recommendations and evaluates current salaries with AAMC salary survey results. The Associate Dean for Management also calculates proposed merit increases and makes recommendations to the Dean based on available budget. According to the SBMI plan, faculty compensation is comprised of core salary components, specialty/discipline-specific components, supplements, and incentives. Compensation is benchmarked to national standards such as the most current AAMC salary survey of faculty compensation (by rank and specialty) or other discipline’s specific national benchmarking data.

The SBMI has approximately 30 faculty members and $4.2 million in total compensation. Although there is a process and related internal controls regarding faculty compensation, preliminary interviews with management at the SBMI revealed most hiring and compensation decisions are made by the Dean and the Associate Dean for Management through informal conversation. A&AS did not perform testing of controls at the SBMI since documentation to support faculty compensation decisions were not retained during the scope period of our review.

NUMBER OF PRIORITY & HIGH FINDINGS REPORTED TO UT SYSTEM
None
16-122 Faculty Compensation

We would like to thank the staff and management within the Office of the President, the Office of the Executive Vice President for Finance and Business Services, and the Offices of the Deans at McGov ern Medical School, School of Public Health, School of Dentistry, School of Nursing and the School of Biomedical Informatics, who assisted us during our review.

MAPPING TO FY 2016 RISK ASSESSMENT

<table>
<thead>
<tr>
<th>Risk (Rating)</th>
<th>Description</th>
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<tbody>
<tr>
<td>R.8</td>
<td>Faculty pay inequality, hiring practices, and/or conflicts of interest damage the UTH ealth image. (High)</td>
</tr>
<tr>
<td>R.11</td>
<td>Compensation for faculty is not consistent. (High)</td>
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</tbody>
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DATA ANALYTICS UTILIZED

<table>
<thead>
<tr>
<th>Data Analytic #1</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilizing data analytics software, A&amp;AS joined and compared HCM reports to identify and review the total population of highly compensated faculty with salary adjustments.</td>
<td></td>
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</table>

AUDITING & ADVISORY SERVICES ENGAGEMENT TEAM

<table>
<thead>
<tr>
<th>Assistant Vice President</th>
<th>Daniel G. Sherman, MBA, CPA, CIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Manager</td>
<td>Nat Gruesen, Sr. Audit Manager, MBA, CIA, CISA,CFE</td>
</tr>
<tr>
<td>Auditor Assigned</td>
<td>Diarra Boye, Auditor, IAP</td>
</tr>
<tr>
<td>End of Fieldwork Date</td>
<td>1/6/2017</td>
</tr>
<tr>
<td>Issue Date</td>
<td>2/6/2017</td>
</tr>
</tbody>
</table>

Copies to:
Audit Committee
Kevin Dillon
Mike Tramonte
Dr. Michael Blackburn
Eric Fernette
Dr. George Stancel
Eric Solberg

Dr. Barbara Stoll
Dr. Lorraine Frazier
Dr. Eric Boerwinkle
Dr. John Valenza
Dr. Jiajie Zhang
Dr. Nancy McNiel
<table>
<thead>
<tr>
<th>Issue #1</th>
<th>Board of Regents Rule (BOR) 20204 (last amended on 09/17/2014)</th>
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<tbody>
<tr>
<td></td>
<td>&quot;Total Annual Compensation includes salaries or wages, practice plan supplements, incentive plan payments, and unpaid deferred compensation and excludes employer-provided insurance, expense allowances, employer contributions to Teachers Retirement System of Texas and Optional Retirement Program, and other fringe benefits.&quot;</td>
</tr>
<tr>
<td>UT System Policy (UTS) 144 (updated 05/24/2011)</td>
<td>&quot;Total Annual Compensation includes salary or wages, employer contributions to the Teacher Retirement System of Texas and the Optional Retirement Program, practice plan salary supplements, incentive plan payments, and unpaid deferred compensation, excluding employer-provided insurance, expense allowances, and other fringe benefits.&quot;</td>
</tr>
<tr>
<td>HOOP 193 (Revised on 12/2016)</td>
<td>&quot;Total Annual Compensation includes base salary, salary augmentation payments, salary supplements, incentive payments, employer contributions to the Teacher Retirement System of Texas or the Optional Retirement Program, and unpaid deferred compensation, excluding employer-provided insurance, expense allowances, and other fringe benefits.&quot;</td>
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<tr>
<td></td>
<td>A&amp;AS compared UTHealth HOOP 193 to BOR 20204 and UTS 144 to determine alignment with UTHealth compensation policies and practices.</td>
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<td>Inconsistencies exist between BOR 20204 and UTS 144 concerning the definition of total compensation that are included in UTHealth policy.</td>
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<td>In practice, we found UTHealth is in compliance with the BOR, which defines total compensation as excluding employer contributions to TRS and ORP; however, the UTHealth HOOP 193 contains the same language as the UTS 144, which differs from the BOR 20204.</td>
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</table>

**Recommendation #1**

We recommend UTHealth determine whether the institution must follow BOR 20204 or UTS 144 when defining total compensation. Once a determination has been made, HOOP 193 and UTHealth practices should both agree.

**Rating**

Medium

**Management Response**

We agree with the recommendation. We have contacted UT System who has advised us that BOR 20204 takes precedent. We will revise HOOP 193 to reference the BOR rule when defining total compensation, which is consistent with our current practices.

**Responsible Party**

Michael Tramonte, Senior Vice President, Finance & Business Services

**Implementation Date**

April 1, 2017
**Issue #2**

**Recommendation #2**

**Rating** Medium

**Management Response**

SBMI will implement a written Faculty Compensation policy with documented procedures. This policy will:

- Summarize the procedure for determining faculty salary increases. Approved merit increases along with supporting documentation (salary surveys, records of achievement, equity analysis etc.) will be maintained within the annual budget folder for that fiscal year and/or within the respective faculty member’s permanent personnel file.

- Summarize the procedure for determining new faculty salaries. Faculty offer letters along with supporting documentation (salary surveys, CV, justification to recruit, equity and/or FMV analysis, etc.) will be maintained in order to demonstrate the procedure is followed.

**Responsible Party** Ryan L. Bien, Associate Dean for Management, School of Biomedical Informatics

**Implementation Date** July 1, 2017

**HOOP 193:**

"In all initial compensation decisions the hiring authority will document the factors considered in setting initial compensation. Human Resources will maintain this documentation for key executive positions. The hiring authority will maintain this documentation for academic A&P, general A&P and faculty positions. All documentation will be maintained in accordance with the university’s Records Retention Schedule. For faculty, academic A&P and general A&P positions, the hiring authority is responsible for obtaining compensation data to support the proposed compensation prior to offering a salary to a candidate."

A&AS requested documents supporting SBMI processes to determine whether internal controls regarding faculty compensation are adequate and operating as intended.

SBMI has a faculty compensation plan, which outlines the process for determining faculty compensation; however, since documentation for compensation decisions was not maintained, we were unable to obtain evidence supporting the process described in the SBMI faculty compensation plan is followed.

We recommend SBMI develop a formal process to ensure supporting documentation is maintained (salary surveys, records of achievement, equity analysis, etc.) in order to demonstrate the plan is followed.
### Issue #3

**HOOP 193:**

“In all initial compensation decisions the hiring authority will document the factors considered in setting initial compensation. Human Resources will maintain this documentation for key executive positions. The hiring authority will maintain this documentation for academic A&P, general A&P and faculty positions. All documentation will be maintained in accordance with the university’s Records Retention Schedule. For faculty, academic A&P and general A&P positions, the hiring authority is responsible for obtaining compensation data to support the proposed compensation prior to offering a salary to a candidate.”

The total population of 9 new hires was tested to identify information on how compensation is derived (information may include but not limited to external and internal equity reviews, CV, justification for recruitment, etc.). We reviewed each file for the Dean and/or President approval and compared the recommended salary to the SON equity analysis and the appropriate AACN survey, noting the following:

- 2 of the 9 (22%) newly hired SON faculty were offered a base compensation higher than the 75th percentile for the discipline in the AANC survey. We were unable to obtain evidence supporting a FMV analysis was performed.
- 1 of the 9 (11%) newly hired SON faculty was offered a base compensation higher than the maximum amount paid for that rank based on equity analysis.

Further conversation revealed the individuals were in Nursing Anesthesia, which is a Specialty; therefore, they have a higher compensation rate. Documentation for compensation decisions was not maintained and, as a result, we were unable to obtain evidence supporting the offered compensation.

**Recommendation #3**

We recommend SON develop a formal process to ensure supporting documentation is maintained (salary surveys, FMV, equity analysis, etc.) on how new faculty compensation is determined.

**Rating**

Medium

**Management Response**

SON will revise its policy, procedures, and processes to maintain records of how compensation for Nursing Specialties is determined and maintain all supporting documentation as follows:

1. The Associate Dean for Management (ADM) will maintain a database of current faculty within each rank for comparison purposes. The database will include, but not limited to, current faculty members with an FTE appointment, date of hire, years of service, tenure track status, base salary, total compensation, the minimum, average and maximum annualized base salary within the rank. It also will highlight variances on annualized base
salary for each faculty member within the ranking relation to the average salary for that rank.

2. The applicable external professional organization compensation benchmarks for that respective rank will be included within the report as follow:

a) For faculty in the departments of Nursing Systems, Center for Nursing Research, Family Health and Acute and Continuing Care, the current AACN Annual Compensation Survey will be utilized.

b) For faculty in the Nurse Anesthesia department, the American Association of Nurse Anesthetists (AANA) Member Compensation Survey will be utilized. Due to the disparities in base salary compensation for Nurse Anesthesia, faculty in this department will be maintained in a separate database as not to skew the minimum, maximum, and mean computations.

<table>
<thead>
<tr>
<th>Responsible Party</th>
<th>Kevin Burnett, Associate Dean for Management, School of Nursing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation Date</td>
<td>May 1, 2017</td>
</tr>
<tr>
<td>Issue #4</td>
<td><strong>SON Stated Controls</strong></td>
</tr>
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<td>During budget preparation, merits are assessed in regards to equity and are approved prior to being entered into the PeopleSoft HCM system for the next fiscal year. The faculty salary is then approved by the Associate Dean for Management and the Dean based on the chair recommendation, student evaluation, and workload. Evidence to support this approval is stored on the department's drive.</td>
</tr>
</tbody>
</table>

From the population of SON faculty hired before FY2016, we selected a random sample of 20 faculty members and used PeopleSoft HCM to identify individuals with changes to their compensation. For each faculty member identified with a change in salary, we obtained copies of faculty merit letters written by the department Chairs recommending merit, promotion, tenure, or equity increases.

For the 13 faculty in our sample who received merit letters, we did not find evidence of the Dean or a designee’s approval of the increase to each faculty member’s compensation.

<table>
<thead>
<tr>
<th>Recommendation #4</th>
<th>We recommend the SON develop a formal process to ensure supporting documentation is maintained to evidence SON faculty compensation increases are approved by the Dean and/or his designee.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating</td>
<td>Medium</td>
</tr>
<tr>
<td>Management Response</td>
<td>The SON will revise its policy, procedures, and processes to ensure supporting documentation is maintained to evidence faculty compensation increases approved by the Dean and/or designee as follow:</td>
</tr>
<tr>
<td></td>
<td>a) During annual budget preparation, the Senior Administrative Manager will generate the annual faculty merit letters (on each respective Chair’s letterhead) incorporating the approved merit and other compensation adjustments and distribute to the Chair’s for their review and signature approval.</td>
</tr>
<tr>
<td></td>
<td>b) Merit letters approved and signed by the Chair will be saved onto the network drive for the Office of the ADM within the annual budget folder for that fiscal year and physical copies will be placed into the respective faculty member’s permanent personnel file housed within the Office of the ADM.</td>
</tr>
</tbody>
</table>

| Responsible Party | Kevin Burnett, Associate Dean for Management, School of Nursing |
| Implementation Date | July 1, 2017 |